Revolution Bars Limited

Annual report and financial statements

for the 52 weeks ended 27 June 2020

Registered Number: 08838980

Revolution Bars Limited

Strategic report for the 52 weeks ended 27 June 2020

The directors present their strategic report of Revolution Bars Limited (the "Company") for the 52 weeks ended 27 June 2020.

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 operates bars under the Revolution brand and 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 develop and manage premium branded bars. The Group's business comprises two such brands: Revolution, focused on young adults, and Revoluci6n de Cuba, focused on a broader age range. Whilst both businesses are wet-led, food is also an important element of the offer and a driver of sales growth. 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 higher sales. The Group is also focused on growing its footprint and number of premium bars by seeking new sites in good locations and by investing capital to enhance the performance of the existing estate.

At the beginning of the year, the Group operated from 79 venues. During the year the Group closed five Revolution bars, and traded from 74 venues at the end of the reporting year (55 Revolution and 19 Revoluci6n de Cuba). Six Revolution leaseholds were surrendered to their landlords in the year.

On 13 November 2020, Revolution Bars Limited completed a Company Voluntary Arrangement (CVA), resulting in exiting five underperforming trading sites. The CVA also provided improved rental terms on 12 bars.

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 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, spirits, beers and soft 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 our entertainment mix and food and drink offering.

KPIs & results
- ***Revenue growth*** – revenue is defined as total retail sales from bars.
- ***Number of units*** – Number of sites that the Company is trading from.

KPIs & results (continued)

- ***Adjusted EBITDA*** - Adjusted EBITDA is a measure of underlying cash generated from the trading operations; it excludes exceptional items and bar opening costs (see Statement of profit or loss and other comprehensive income on page 12).
- ***Gross Margins*** - Gross margin is measured after accounting for the purchase cost of beverages and food and includes retrospective supplier rebates and other supplier support but excludes labour costs.

Revenue for the year was £74.6m (2019: £104.6m). Gross margin for the year was 76.2% (2019: 71.3%). Earnings before interest, tax, depreciation and amortisation, ("EBITDA"), was a loss of £1.1m after adjusting for exceptional items of £14.5m (2019: loss of £0.03m after adjusting for exceptional items of £6.1m).

The Company traded from 51 sites in the year (2019: 60) as four Revolution sites are traded under the new entity Revolution Bars (Number Two) Limited. The Company's performance in the year was significantly impacted by the Covid-19 pandemic, which resulted in strict operating restrictions imposed by the UK government on the hospitality sector including enhanced health and safety processes, social distancing, trading curfews and restrictions on the sale of alcohol. Every effort has been made to mitigate the impact of these measures, including reductions in operating costs and capital expenditure, accessing government support including the furlough schemes, and at Group level improving cash liquidity through an equity fundraising and increased banking debt facilities including accessing the Coronavirus Large Business Interruption Loan Scheme, which has indirectly benefitted the funding support made available to the Company.

The loss after taxation for the 52 weeks ended 27 June 2020 was £30.8m (2019: loss of £10.4m). Total equity at 27 June 2020 amounted to accumulated losses of £33.4m (2019: earnings of £7.5m).

Financial risk management

The financial risk management objectives and policies of the Company are monitored as part of the wider Group. Details of the risks and exposure of the Group to financial risks including; credit risk, liquidity risk and market risk are provided in the Revolution Bars Group plc Annual Report and Accounts 2020.

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
Covid-19 The Group's operating environment is severely impacted by the Covid-19 pandemic with significant restrictions on the ability to trade under normal circumstances, such as social distancing and restricted opening hours. There is a risk of further extensive local lockdowns or national lockdowns.	**Covid-19** • Significant operational procedures to ensure safeguarding of our staff and customers • Investment in equipment to ensure Covid-safe venues • Regular Board reviews and action planning to deal with local and national restrictions • Significant cash facilities established to cushion impact of further lockdowns
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** • Operational management focus on economically significant bars; • Annual refresh of 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.
Refurbishment of existing sites Underinvestment in the current estate resulting in declining like-for-like performance.	**Refurbishment of existing sites** • 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** • Ability to tailor offerings in response to macroeconomic influences; • Pricing, discounting, marketing and promotional activity can all be adjusted quickly if necessary.
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** • 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 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-year review cycle by reference to open market rents prevailing at the time of the review.	**Leasehold rents** • 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 in any reporting period.
Supplier concentration The drinks distribution market is dominated by one significant wholesale 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** • 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 properly tested in a fully stressed 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 well 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** • 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.

Section 172 (1) statement

From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the group board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters set out in s172 (for the group and for the entity) is set out in the Revolution Bars Group plc 2020 Annual Report and Group Accounts, which does not form part of this report.

Strategic report for the 52 weeks ended 27 June 2020 (continued)

On behalf of the Board

Mike Foster
Director
17 December 2020

Registered office
21 Old Street
Ashton-under-Lyne
Tameside
OL6 6LA

Revolution Bars Limited

Directors' report for the 52 weeks ended 27 June 2020

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 27 June 2020.

Dividends
No dividend has been declared or paid in the year (2019: nil).

Future developments
Details of future developments can be found as part of the Strategic Report on page 2.

Directors
The directors who held office during the year and up to the date of signing the financial statements are listed below:

Mike Foster
Rob Pitcher

Directors' indemnity provisions
The directors benefit from qualifying third-party indemnity provisions that were established shortly after the end of the reporting period and remain in place 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.

The Company has experienced a downturn in trade due to restrictions imposed by the UK Government and the devolved authorities in response to Covid-19. The ultimate parent company, Revolution Bars Group plc, holds a revolving credit facility (the "Facility") 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 Company is therefore intrinsically linked to Group performance and it is important to note that the Revolution Bars Group plc financial statements have been signed on the same day with reference to a material uncertainty around going concern. For ease, the Group Going Concern disclosure has been included in note 1 for reference.

As with the Group accounts, the severe disruption to the Company's trade during the last nine months caused by Covid-19 and the resultant and frequently changing operating restrictions imposed by the UK Government and the devolved authorities means that there is a material uncertainty over the going concern of the Group. This uncertainty exists because of the unpredictability of the nature, extent and duration of COVID, the vaccination programme, and the imposed operating restrictions in the calendar year 2021 and how this will impact the Company's operational performance and in particular the level of sales and EBITDA generated that will in turn determine the Group's covenant compliance.

Notwithstanding the material uncertainty, after due consideration the Directors have a reasonable expectation that the Company has sufficient resources via Group to continue in operational existence for the period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis.

However, the trading conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the Company were unable to continue as a going concern.

Employees
From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group board, the group board has taken the lead in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year). The board of the company has also considered relevant matters where appropriate.

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 a balanced scorecard measurement system that includes employee engagement, employee turnover and training metrics at its heart. Key elements in achieving good scores are investment in training and development, a competitive remuneration and benefits package and encouraging employees to participate actively in business strategy.

An explanation of how the group board has carried out these responsibilities (for the group and for the entity) is set out in the Revolution Bars Group plc 2020 Annual Report and Group Accounts, which does not form part of this report.

Other stakeholders
Similarly, from the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group board, the group board has taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the group board have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the group and for the entity) in the Revolution Bars Group plc 2020 Annual Report and Group Accounts, which does not form part of this report.

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.

Company law requires the directors to prepare financial statements for each financial year. 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.

Directors' report for the 52 weeks ended 27 June 2020 (continued)

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
17 December 2020

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 27 June 2020 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 as at 27 June 2020; 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.

Material uncertainty related to going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the period of 12 months from the date of approval of these financial statements, however the going concern status of the Company is intrinsically linked to the success of the Group whose financial statements include reference to a material uncertainty. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

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

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 27 June 2020 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.

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.

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

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

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
17 December 2020

Revolution Bars Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year 52 weeks 27 June 2020

	Note	**2020**	2019
		£'000	£'000
Revenue	*2*	**74,586**	104,558
Cost of sales		**(17,769)**	(30,057)
Gross profit		**56,817**	74,501
Operating expenses:			
- operating expenses, excluding exceptional items	*3*	**(72,352)**	(79,169)
- exceptional items	*3*	**(20,373)**	(6,089)
- grant income	*7*	**4,080**	-
Total operating expenses		**(88,645)**	(85,258)
Operating loss		**(31,828)**	(10,757)
Finance expense	*8*	**(2,973)**	(109)
Exceptional finance income	*8*	**5,869**	-
Loss before taxation		**(28,932)**	(10,866)
Income tax	*9*	**(1,875)**	435
Loss and total comprehensive expense for the year		**(30,807)**	(10,431)

Non-GAAP measure			
Revenue		**74,586**	104,558
Operating loss	*4*	**(31,828)**	(10,757)
Exceptional items		**20,373**	6,089
Adjusted operating loss		**(11,455)**	(4,668)
Finance expense		**(2,973)**	(109)
Adjusted loss before tax		**(14,428)**	(4,777)
Depreciation	*10*	**10,376**	4,642
Finance expense		**2,973**	109
Adjusted EBITDA/(loss)		**(1,079)**	(26)

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

Revolution Bars Limited

Statement of Financial Position
at 27 June 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Right-of-use assets	*10*	**45,458**	-
Property, plant and equipment	*10*	**23,853**	34,738
Deferred tax asset	*18*	**-**	16
Current assets			
Inventories	*11*	**1,869**	2,522
Trade and other receivables	*12*	**708**	6,695
Cash and cash equivalents	*13*	**6**	276
		2,583	9,493
Total assets		**71,894**	44,247
Liabilities			
Current liabilities			
Trade and other payables	*14*	**(33,074)**	(24,672)
Lease liabilities	*15*	**(7,712)**	-
Onerous lease provisions due within one year	*16*	**-**	(1,270)
		(40,786)	(25,942)
Non-current liabilities			
Lease liabilities	*15*	**(63,872)**	-
Provisions	*16*	**(676)**	(9,590)
Other liabilities	*17*	**-**	(1,259)
		(64,548)	(10,849)
Total liabilities		**(105,334)**	(36,791)
Net (liabilities)/assets		**(33,440)**	7,456
Equity attributable to equity holders of the parent			
Share capital	*19*	**-**	-
(Accumulated losses)/Retained earnings		**(33,440)**	7,456
Total equity		**(33,440)**	7,456

The financial statements on pages 12 to 34 were approved by the Board of directors on 17 December 2020 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 27 June 2020

	Share capital £'000	Retained earnings / (Accumulated losses) £'000	Total shareholders' equity £'000
At 1 July 2018	-	17,887	17,887
Loss and total comprehensive expense for the period	-	(10,431)	(10,431)
At 30 June 2019 as originally presented	-	7,456	7,456
Impact of change in accounting policy	-	(12,118)	(12,118)
Tax impact of change in accounting policy		2,029	2,029
At 30 June 2019 after adjustment	-	**(2,633)**	**(2,633)**
Loss and total comprehensive expense for the period	-	(30,807)	(30,807)
At 27 June 2020	-	**(33,440)**	**(33,440)**

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 27 June 2020 were authorised for issue by the Board of directors on 17 December 2020. 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 30 June 2019:

- IFRS16 Leases

The adoption of this standard has materially impacted the Company Financial Statements. Note 22 provides further details.

Basis of preparation
The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under FRS 101. They are presented in Pounds Sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated. The financial statements have been prepared under the historic cost convention. Accounting policies have been applied consistently, other than where new policies have been adopted. 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
Notes to the financial statements (continued)

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.

The Company has experienced a downturn in trade due to restrictions imposed by the UK Government and the devolved authorities in response to Covid-19. The ultimate parent company, Revolution Bars Group plc, holds a revolving credit facility (the "Facility") that is available for use by the Company. The Facility is secured by a cross guarantee between Revolution Bars Group plc and the Company.

As with the Group accounts, the severe disruption to the Company's trade during the last nine months caused by Covid-19 and the resultant and frequently changing operating restrictions imposed by the UK Government and the devolved authorities means that there is a material uncertainty over the going concern of the Group. This uncertainty exists because of the unpredictability of the nature, extent and duration of COVID, the vaccination programme, and the imposed operating restrictions in the calendar year 2021 and how this will impact the Company's operational performance and in particular the level of sales and EBITDA generated that will in turn determine the Group's covenant compliance.

Notwithstanding the material uncertainty, after due consideration the Directors have a reasonable expectation that the Company has sufficient resources via Group to continue in operational existence for the period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis.

However, the trading conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the Company were unable to continue as a going concern.

The Company is therefore intrinsically linked to Group performance and it is important to note that the Revolution Bars Group plc financial statements were signed the day before the Company financial statements with reference to a material uncertainty around going concern. For ease, the Group Going Concern disclosure has been included below for reference.

Group Going concern Disclosure

The directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows of restrictions imposed by the UK Government and the devolved authorities in response to COVID. The going concern status of the Company is intrinsically linked to that of the Group.

Liquidity

At the end of the reporting period, the Group had net bank debt of £22.0 million relative to a £30.0 million Revolving Credit Facility ('RCF') although terms were agreed with the Group's lending bank, NatWest, to increase the total debt facilities to £37.5 million by utilising the Coronavirus Large Business Interruption Loan Scheme ('CLBILS') loan of £16.5 million and using the proceeds of this loan to partially pay down the RCF and to reduce the RCF commitment to £21.0 million. The CLBILS loan, which is a three-year term loan amortising at £1.0 million per annum in equal monthly repayments, was drawn down shortly after the period end on 6 July 2020.

On 27 July 2020, the Company completed an equity fundraising of £15.0 million, the net proceeds of which were fully received by 3 August 2020 and used to repay the remaining outstanding balance of the RCF. At that date of repayment, the Group had CLBILS of £16.5m but £26.1 million of liquidity by way of cash at bank of £5.1 million and an undrawn committed RCF of £21.0 million. When the total debt facilities were increased to £37.5 million, it was agreed that, contingent on a successful equity fundraising, the debt facilities would be reduced by £7.5 million on 31 March 2021, this amount to be applied pro rata to the RCF and CLBILS. However, this reduction in facilities together with a previously agreed £1.0m reduction in the RCF at the end of June 2020 were amended by NatWest on 16 December 2020 in favour of an alternative amortisation profile of the facilities as follows:

1. General information (continued)
Going concern (continued)

Facility	*Commitment*	*Expiry*	*Amortisation*
RCF	*£21.0m*	*30 June 2022*	*£1.6 million on 30 September 2021 and £1.0 million on 30 June 2022*
CLBILS	*£16.1m*	*5 July 2023*	*£0.4 million on 30 September 2021 and £1.0 million per annum in equal monthly instalments*

In accordance with these arrangements and subject to compliance with financial covenants, the Group will have committed funding facilities available during the going concern assessment period as follows:

December 2020	*£37.1 million*
March 2021	*£36.8 million*
June 2021	*£36.6 million*
September 2021	*£34.3 million*
December 2021	*£34.1 million*
March 2022	*£33.8 million*

Current Net bank debt and available liquidity

At the date of these financial statements the Group's net bank debt was approximately £19.5 million, and therefore the Group has available liquidity of £17.6 million.

Covenants

The facilities are subject to one financial covenant only, which is that the Group is required to maintain minimum liquidity headroom between its net bank debt and the committed facilities on a six-month look forward basis. The required headroom under the covenant varies on a monthly basis, as it is set in conjunction with the modelling of a severe but plausible downside scenario (see below for further details), between £10.0 million at its highest at the end of December 2020 and £1.3 million at its lowest at the end of March 2021. The effect of the covenant is that the base case is within the covenant requirement, whereas the severe but plausible downside case is only slightly above the covenant level (i.e. has only very limited headroom over the covenant level) over the 2021 calendar period. Cash flow forecasts are updated daily and submitted to NatWest weekly and should two successive weekly forecasts show a breach of the minimum liquidity headroom, then the Group would need to consult with NatWest. If a solution to the breach cannot be agreed, for example by the granting of a waiver, or an amendment to the facilities then the bank could require the Group to take various actions that may determine the Group's future.

The Group has remained in close contact with NatWest since it became clear in late February that the COVID-19 pandemic ('COVID') could potentially have a significantly adverse effect on the Group's trading performance and cash generation. NatWest have been very supportive of the Group throughout this period providing support by amending debt facilities as required in April 2020 and in May 2020 and most recently for this going concern assessment period. NatWest also consented to the necessary facility waivers and adjustments to the covenant to allow the Company Voluntary Arrangement ('CVA') undertaken by the Group's wholly owned subsidiary entity, Revolution Bars Limited, in November 2020 to proceed.

Significant judgements and base case

The financing arrangements referred to in this going concern section are expected to provide a sufficient platform for the business to meet the trading uncertainty that lies ahead as the COVID immunisation programme is rolled out and the UK economy recovers from the devastation caused by COVID. During the last nine months, the Group's sales have been severely impacted by the operating restrictions imposed by the UK Government and the devolved authorities; half of that period being subject to a forced closure of all bars, and significant operating restrictions operating for the other half, including 10pm curfews (latterly moved to 11pm), reduced capacities, limited party sizes, table service only, and a banning of alcohol sales other than with a substantial meal. It is not clear what level of trade may be possible in the coming months although the UK Government has stated its intention to complete the COVID vaccination programme by Easter 2021, by which time it would seem reasonable to expect that all restrictions imposed since March 2020 will be significantly reduced. If that is indeed

Revolution Bars Limited
Notes to the financial statements (continued)

1. General information (continued)
Going concern (continued)

the case, then sales from April 2021 are likely to be influenced by the level of pent up demand and consumer confidence surrounding both the economy and health and safety. The directors believe that based on the Group's sales levels being better than anticipated following the reopening of venues in July 2020 and through to the end of September 2020 before the 10pm curfew was introduced, and the Group's target young adult customer groups being least affected by COVID, that consumer confidence and demand for the Group's product should not be a significant issue and it is reasonable to expect a return to historic trading levels once the COVID vaccination programme has been successfully delivered. However, the directors also acknowledge that the Group's sales remain vulnerable to factors that are entirely beyond its control, such as: (i) the degree of operating restrictions that remain in force when the current arrangements are reviewed and whilst the vaccination programme is being rolled-out and how quickly such restrictions may be lifted once that roll-out has been completed; (ii) a reliable supply of the vaccine; (iii) the take up of the vaccination programme; and (iv) that the vaccine works as expected.

The level of sales that the Group generates drives EBITDA and cash generation, which in turn impacts the level of liquidity required and compliance with the covenant test.

In reaching their assessment that the financing arrangements are expected to be sufficient for the business, the directors have reviewed a base case forecast scenario which assumes that the operational arrangements currently in force from 2 December remain in force until the end of March 2021 (Easter). Currently, the Group is trading only 33 of its bars: 1 in tier 1 and 32 in tier 2 locations, and therefore forecasts sales in the January 2021 to March 2021 quarter are expected to be at 16% of their historical pre-COVID levels. From April 2021 to June 2021, all 67 of the Group's bars are expected to be trading but with some operating restrictions still in force with sales forecast at an average 75% of their historical level before improving to 90% in July 2021 and August 2021 as all remaining restrictions are expected to be lifted with consumer confidence expected to increasingly return, with sales returning to normal historical levels for the remainder of 2021. Hence the Group's base case forecast scenario is for sales in calendar year 2021 to be at 73% of the levels achieved in the last 12 months pre-COVID. Operating margins in the early months of 2021 are forecast to be consistent with those achieved during the period of trading under severe operating restrictions in recent months but then slowly improving to pre-COVID levels over the remainder of 2021. The Group expects to continue to qualify for support from the UK Government through relief from business rates, a reduction in VAT from non-alcohol sales, and access to flexible furlough under the Coronavirus Job Retention Scheme through to the end of March 2021. £1.75 million of capital expenditure has been forecast for the 12 months to June 2021 including £0.5m to undertake three bar refurbishments between April 2021 and June 2021.

Under the base case forecast, there is no forecast breach of the banking covenant. The forecast average amount of headroom for net bank debt relative to the minimum liquidity covenant between December 2020 and December 2022 is £4.5 million with the lowest point of £2.5 million in March 2021.

Severe but plausible downside scenario

The directors have also reviewed a severe but plausible downside scenario which assumes that the business is subject to an enforced lockdown (zero sales) until the end of March 2021 (Easter) with sales return at 60% of the normal historical pre-COVID levels between April 2021 and June 2021, after which trading is similar to the base case forecast for the remainder of 2021, as detailed above. Other assumptions regarding operating margins and support from the UK Government are also similar to the base case forecast scenario but the capital expenditure forecast for the 12 months to June 2021 is £0.5 million lower.

Under the severe but plausible downside scenario, net bank debt is approximately £2.5 million greater than under the base case forecast scenario. This adverse movement is relatively small because there is marginal EBITDA benefit in the base case from trading only one bar under tier 1 and 32 bars under tier 2 of the UK Government operating restrictions where alcohol sales are only permitted with a substantial meal. The severe but plausible downside scenario shows no forecast breach of the banking covenant but, as would be expected, the forecast average amount of net bank debt headroom relative to the minimum liquidity covenant between December 2020 and December 2021 is lower at £1.8 million with the lowest point of £1.2 million in March 2021.

The directors believe that there should be no further downside to the severe but plausible downside scenario for the period to the end of March 2021 given that no trade is forecast for this period, and that a sales forecast at 60% of historical pre-COVID levels for April 2021 to June 2021 is prudent relative to the same bars year-on-year sales performances achieved when bars were reopened between July 2020 and September 2020 prior to the introduction of the 10 pm curfew and tier restrictions. If there is any residual risk not accounted for in the severe

1. General information (continued)
Going concern (continued)

but plausible downside scenario, it is that if there is a significant problem with the vaccine efficacy or roll-out, that results in a delay to the reopening of bars in March 2021 or that severe ongoing restrictions continue whilst such a problem is resolved. Whilst there are currently no indications that this may be the case, the directors note the unprecedented scale and challenge of the vaccination roll-out is such that there can be no certainty that it will run completely to plan. However, the directors also believe that if severe operating restrictions remain in place after March 2021 the financial effects could potentially be mitigated wholly or partially by a number of factors that are not reflected in the severe but plausible downside scenario, but which are not all wholly within the control of the directors, including some trading pre March 2021, a further extension of the Coronavirus Job Retention Scheme beyond March 2021 may be made, further rent mitigation if discussions with a number of landlords conclude favourably, receipt of local authority grants as these are made available but which have not been included in the Group's forecasts, and any extension to business rates relief beyond April 2021.

The low level of liquidity headroom relative to the minimum liquidity covenant and the material uncertainty caused by COVID coupled with forecasting difficulties as a result of constantly changing operating restrictions means that the Group cannot be assured that it will not breach the minimum liquidity covenant. A breach of covenant would require the bank to grant a waiver or for the Company to renegotiate its banking facilities or raise funds from other sources, none of which is entirely within the Group's control. A breach of the covenant would also result in the reclassification of £24.5 million of non-current borrowings to current borrowings as at the date of the consolidation statement of financial position. The directors have assessed, however, that given a strong underlying business, particularly post lease surrenders of under-performing bars and the CVA undertaken during 2020, the Group's existing relationships with its main creditors, its success in recent years in obtaining covenant waivers and renegotiating its banking facilities and a recent equity fundraising, that a request for a waiver of a covenant breach or renegotiation of the banking facilities would be successful.

Going concern statement

The severe disruption to the Group's trade during the last nine months caused by COVID and the resultant and frequently changing operating restrictions imposed by the UK Government and the devolved authorities indicates the existence of a material uncertainty which may cast significant doubt over the ability of the Group and Company to continue as a going concern. This uncertainty exists because of the unpredictability of the nature, extent and duration of COVID, the vaccination programme, and the imposed operating restrictions in the calendar year 2021 and how this will impact the Group's operational performance and in particular the level of sales and EBITDA generated that will in turn determine the Group's covenant compliance.

Notwithstanding the material uncertainty, after due consideration the Directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for the period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis. The financial statements do not contain the adjustments that would arise if the Group (and the Company) were unable to continue as a going concern.

Revenue recognition
Revenue is the fair value of goods and services sold to third parties as part of the Company's trading activities, net of discounts. Revenue primarily comprises food and beverages sold in the Company's trading venues. 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.

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 stepped rebates based on volume thresholds. Management make an assessment of these and applies estimates based on the volumes achieved and the expected out-turn over the contract period.

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.

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 and subsequent to their initial recognition 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 and subsequent to their initial recognition 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 is 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 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 of existing bars

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

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

Revolution Bars Limited
Notes to the financial statements (continued)

1. General information (continued)

Leases

Where the Company is a lessee, a right-of-use asset and lease liability are both recognised at the outset of the lease. Each lease liability is initially measured at the present value of the remaining lease payment obligations taking account of the likelihood of lease extension or break options being exercised. Each lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any modifications to the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, plus lease payments made at or before the commencement date adjusted by the amount of any prepaid or accrued lease payments, less any incentives received to enter in to the lease, plus any initial direct costs incurred by the Company to execute the lease, plus an estimate of any costs expected to be incurred at the end of the lease to dismantle or restore the asset, and less any onerous lease provision. The right-of-use asset is depreciated in accordance with the Company's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

The Company has utilised the practical expedient to not assess whether rent waivers agreed as a result of Covid-19 are lease modifications except where such rent waiver is associated with an extension of the lease term or the inclusion of a new landlord break clause or the removal of an existing tenant break clause.

Impairment of tangible fixed assets and right-of-use assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication of an impairment loss. The carrying amount of assets that do not directly generate cash flows are allocated to other cash generating units ("CGUs") to which it is related as part of the impairment testing of those CGUs.

Impairment testing is performed by reference to establishing the recoverable amount of an asset. The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than the asset's carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognised as an expense immediately.

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 but has 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 Company 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 that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

1. General information (continued)

Covid-19 accounting policies

As has been the case for all hospitality businesses during the COVID-19 pandemic, the Company's trading venues were subject to a UK government enforced lockdown effective from 20 March 2020 and which remained in place at the end of the reporting period. During this period, the Company has been unable to trade and therefore has generated zero income. Recognising this the UK government has made available certain reliefs and support schemes from which the Company has been able to benefit. Given the temporary nature of these reliefs and their material impact on the reported performance of the Company, relevant accounting policies are set out below.

The directors have considered whether the collective benefit of government support to counter the impact of 'COVID-19' should be reported as an Exceptional credit but given the severe impact of the pandemic on the underlying trading numbers and that the reliefs were introduced by government to mitigate the trading impact, the directors do not believe that to do so would be meaningful. Support during the COVID lockdown has come in many different forms and from a number of stakeholders, including suppliers and landlords; not just government, and therefore, given that all of that support is inextricably linked to the prevailing imposed lockdown and operating restrictions the directors are of the opinion that to identify all forms of support is impractical and not meaningful. However, where notes to the financial statements lend themselves to cross-referencing and quantifying external support such as the disclosures of payroll and rent information, additional information has been given.

Furlough and the Coronavirus Job Retention Scheme (CJRS)

The Company has utilised the CJRS extensively throughout the period of lockdown. The scheme allows 80% of the normal earnings of individuals who have been furloughed up to a cap of £2,500 per month per employee. The Company pays the furlough wages and then lodges a claim to government for reimbursement. Typically, the claims have been made at four-weekly intervals shortly after each four-week payroll cycle. The government claim is accounted for on an accruals basis and, therefore in the consolidated statement of profit or loss, matches the furlough wages. Unpaid claims to government are included in Trade and other receivables in the consolidated statement of financial position. The claim is included as grant income in the Statement of Profit or Loss and Other Comprehensive Income, with the corresponding payroll expense included in operating costs.

Rates holiday and government grants

The government has provided relief for general rates by way of a rates holiday for hospitality businesses for the 2020/21 fiscal year; accordingly, no rates charges have been recorded for the final quarter of FY20 and charges will not resume until the final quarter of FY21. Furthermore, the government has provided funding for grants of £25,000 per eligible site for sites with a rateable value below £51,000. The Company has one eligible site for which the grant is being spread over the fiscal year.

Inventory provision

The long duration of the enforced closure inventory has resulted in inventory product for resale going out of date and the wasting of opened kegs and bottles and certain food-lines. The Company has also taken the opportunity during the lock-down period to rationalise and simplify its food and drink menus in the expectation that speed of service will be even more important and sales volumes will be lower when a resumption of business is possible. Most breweries have agreed to replace full out of date kegs that were delivered in the two weeks preceding lockdown free of charge but nevertheless there remains significant waste. Accordingly, provisions have been made against both products for resale and consumable stocks to reflect the expected wastage and obsolescence following the menu changes.

VAT and PAYE deferrals

VAT and PAYE liabilities that fell due between 18 March 2020 and the end of June 2020 were deferred with the approval of HMRC. PAYE due on furlough wages funded by the UK Government has not been deferred. The Company took advantage of this scheme to further support the cash position during uncertain times.

1. General information (continued)

Rent concessions

Given the level of uncertainty around trading and financing arrangements in the immediate aftermath of the UK Government imposed lockdown, the Company did not pay March rents falling due on the quarter day. The UK Government's introduction of a short-term moratorium to prevent the forfeiture of leases by landlords and the subsequent publishing of a 'Code of Conduct' setting out best practice for how landlord and tenant should work together has resulted in dialogue with landlords. As at 27 June 2020, agreements had been reached with the landlords of nine of the Company's trading properties to waive £285k of rent relating to the FY20 financial period.

Only those rental concessions agreed with landlords prior to the end of the FY20 reporting period have been accounted for within the reporting period. Rent-free periods or reduced rental periods that are in effect a gift from the landlord with nothing given in exchange are treated as an immediate relief of rent. However, where the rental concession is in exchange for an extension to the term of a lease or for some other structural change to the terms of the lease, it is treated as a lease modification and the benefit of the concession is recognised in the P&L over the full remaining term of the lease.

(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 and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the revision takes place and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the date of the statement of financial position that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are set out below.

Judgements made in assessing the impact of Covid-19 on the financial statements

We have exercised judgement in evaluating the impact of Covid-19 on the financial statements. The areas identified are as follows:

- Going concern, where assumptions have been made as to the likelihood of further spikes in Covid-19 and the ongoing operating restrictions impacting all hospitality businesses;
- Impact on future cash flows included within the value in use calculations used in impairment assessments;
- IFRS 9, where an increased Expected Credit Loss rate has been increased from 1% to 2% to reflect the enhanced risk of supplier failure (collecting rebates).

Note 10 ("Property, Plant and Equipment and Right-of-use assets") – Recoverable amount of property, plant and equipment and right-of-use assets

Assets that are subject to depreciation 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 its 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 an independent income stream, the recoverable amount is determined in conjunction with the cash generating units ("CGU") to which the asset relates.

Determining value in use requires a series of estimates to be made including an appropriate discount rate to calculate the present value, an estimate of the cash flows expected to arise from the CGU (including an assessment of revenue and cost base growth) and a long-term growth rate. For further details of the sensitivity of the calculation of impairment provisions to these key assumptions, see Note 10.

The key assumptions in the value in use calculation are the applicable discount rate of 8.2 per cent (2019: 11.7 per cent) and long-term revenue and cost base growth rates of 1 per cent (2019: 2 per cent).

1. General information (continued)

Note 10 ("Property, Plant and Equipment and Right-of-use assets") - Capitalisation of employment costs

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.

2 Revenue

Revenue consists entirely of sales made in the United Kingdom and is attributable to one activity, being the operation of bars. Revenue is earned from the sale of drink and food with a small amount of admission income.

3 Operating expenses

	2020 £'000	2019 £'000
Administrative expenses	**3,544**	5,061
Sales and distribution	**68,808**	74,108
Exceptional items	**20,373**	6,089
Total operating expenses	**92,725**	85,258
Exceptional items		
Impairment of property, plant and equipment	**6,651**	4,178
Impairment of right-of-use assets	**14,618**	-
Modification of lease	**(897)**	-
Other	**1**	-
Provision for onerous lease costs	**-**	1,911
Total exceptional items	**20,373**	6,089

As a result of the annual impairment testing of property, plant and equipment and right-of-use assets, the net book value of the assets at 28 of the Company's bars was written down either partially or in full.

4 Expenses and auditors' remuneration

Operating loss is stated after charging:	2020 £'000	2019 £'000
Depreciation of owned fixed assets	**4,826**	4,642
Depreciation of right-of-use assets	**5,550**	-
Impairment of owned fixed assets	**6,651**	4,178
Impairment of right-of-use assets	**14,618**	-
Auditors' remuneration:		
Audit fees payable to the Company's auditors for the audit of official financial statements	**17**	10

No fees for non-audit services were paid by the Company to its auditors in the current or prior year.

5 Staff costs

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

	2020 Number	2019 Number
Operational	1,832	2,265

The aggregate payroll costs were as follows:

	2020 £'000	2019 £'000
Wages and salaries	22,576	25,918
Social security costs	1,196	935
Other pension costs	548	178
	24,320	27,031

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.

6 Directors

	2020 £'000	2019 £'000
Remuneration	184	270
Pension costs	15	18
	199	288

Mike Foster and Rob Pitcher were employed by the Company and both 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 £199,000 (2019: £288,000) 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 £129,000 (2019: £164,000). This amount includes £15,000 (2019: £18,000) of employer pension contributions to a defined contribution scheme.

7 Grant income

	2020 £'000	2019 £'000
Grant income	4,080	-
	4,080	-

Grant income relates to claims made under the Coronavirus Job Retention Scheme.

8 Finance expense	2020 £'000	2019 £'000
Interest on lease liabilities	2,973	-
Interest on onerous lease provisions	-	109
Interest payable	2,973	109
Gross gain on disposal	(8,893)	
Surrender premiums paid in year	1,774	
Surrender premiums to be paid	1,250	-
Exceptional finance income	(5,869)	-

During the period, the Group closed five bars (Liverpool Wood Street, Swansea, Macclesfield, Lincoln, and Fallowfield). The leases for each of these sites other than Swansea, together with the Group's two other non-trading properties (Lancaster and Wolverhampton that closed in 2014) were surrendered.

Exceptional gains on disposal occurred in respect of these lease surrenders as a result of extinguishing IFRS 16 lease liabilities, and is net of surrender premiums paid and payable to landlords; this net position is classified as exceptional finance income.

9 **Income tax**	**2020**	2019
	£'000	£'000
The major components of income tax for each year are:		
Analysis of charge in the year		
Current tax		
UK corporation tax on the loss for the year	-	-
Adjustment in respect of prior years	-	(46)
Deferred tax – Profit and loss account		
Origination and reversal of timing differences	**15**	(389)
IFRS 16 deferred tax unwinding	**162**	-
Write-off of IFRS 16 deferred tax asset	**1,697**	-
	1,875	(435)
Deferred tax - Reserves		
Tax impact of change in accounting policy	**(2,029)**	-
Total tax credit	**(155)**	(435)
Factors affecting total tax credit for each year		
Loss on ordinary activities before taxation	**(28,932)**	(10,866)
Loss before taxation at standard rate of UK corporation tax rate (2020 – 19.0%, 2019 – 19.0%)	**(5,497)**	(2,065)
Effects of:		
Changes in deferred tax rates and other reconciling items	**(3)**	(3)
Group relief	**1,959**	1,199
Fixed asset differences	**548**	424
Adjustment in respect of prior years	**55**	(36)
Adjustment in respect of changes in tax rates on deferred tax balances	**(24)**	46
Deferred tax not recognised	**4,837**	-
Total tax charge/(credit) for the year	**1,875**	(435)

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The Group has recognised deferred tax in relation to UK companies at 19% accordingly.

10 Property, plant and equipment and right-of-use assets

	Short leasehold premises £'000	Fixtures and fittings £'000	IT equipment and office furniture £'000	Total £'000
Cost				
At 30 June 2019	47,627	13,834	7,113	68,574
Additions	1,189	1,235	124	2,548
Transfers out	(867)	(496)	(33)	(1,396)
At 27 June 2020	**47,949**	**14,573**	**7,204**	**69,726**
Accumulated depreciation and impairment				
At 30 June 2019	20,102	10,862	2,872	33,836
Provided in the period	2,890	1,819	117	4,826
Impairment charges	6,131	1,556	41	7,728
Transfers out	(211)	(276)	(30)	(517)
At 27 June 2020	**28,912**	**13,961**	**3,000**	**45,873**
Net book value				
At 29 June 2019	27,525	2,972	4,241	34,738
At 27 June 2020	**19,037**	**612**	**4,204**	**23,853**

Right-of-use assets	Short leasehold assets £'000
Cost	
At 30 June 2019	-
Recognition of right-of-use assets	65,532
Right-of-use assets recognised at 30 June 2019	
Reassessment/modification of assets previously recognised	94
At 27 June 2020	**65,626**
Accumulated depreciation and impairment	
At 30 June 2019	-
Provided in the period	5,550
Impairment charges	14,618
At 27 June 2020	**20,168**
Net book value	
At 29 June 2019	-
At 27 June 2020	**45,458**

The reassessment/modification of leases relates to changes in rent and extensions to lease terms agreed during the reporting period to 27 June 2020 for leases that were in place on 30 June 2019 following the adoption of IFRS 16.

Depreciation and impairment of property, plant and equipment and right-of-use assets are recognised in operating expenses in the consolidated statement of profit or loss and other comprehensive income, aside from £1.1 million of property, plant and equipment impairment that was incurred as part of IFRS 16 implementation and was charged to opening reserves.

10 Property, plant and equipment and right-of-use assets (continued)

The Company 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 derived from the forecast cash flows generated to the end of the lease term discounted at the Group's weighted average cost of capital.

In the 52 weeks ended 27 June 2020, the Company impaired the property, plant and equipment of 28 CGUs (2019: 22 CGUs) and the right-of-use assets of 28 CGUs, either partially or in full, based on the value in use of the CGU being lower than the prevailing 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 is used to identify whether the carrying value of a CGU 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 CGU. If this test indicates a potential impairment, a more detailed value in use review is undertaken 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. The cash flows assume a 5-year refurb cycle, with an increase in revenue factored after reburbs based on historical refurbishment outcomes.

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: 1.0 per cent (2019: 2.0 per cent).
- Pre-tax discount rate: 8.2 per cent (2019: 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. Sensitivity analysis has been performed assuming a November lockdown period, removing all sales during that period, the result of which would be an increase to the impairment charge of £0.9m.

11 Inventories

	2020	2019
	£'000	£'000
Goods held for resale	**1,869**	2,522

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

	2020	2019
	£'000	£'000
	17,769	30,057

12 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Prepayments and accrued income	**708**	6,695
	708	6,695

Trade and other receivables are not net of any provisions.

Revolution Bars Limited
Notes to the financial statements (continued)

13 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**6**	276

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

14 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**2,356**	9,083
Accruals	**1,611**	3,539
Other taxes and social security costs	**1,642**	2,019
Amounts due to group undertakings	**27,465**	10,031
	33,074	24,672

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

15 Lease liabilities

	Short leasehold assets £'000
At 29 June 2019	-
Recognition of lease liability under IFRS 16	83,998
Opening lease liabilities recognised at 30 June 2019	**83,998**
Reassessment/modification of liabilities previously recognised	94
Modifications taken as a credit to administrative expenses (note 3)	(897)
Surrender of leases	(8,891)
Lease liability payments	(5,693)
Finance costs	2,973
At 27 June 2020	**71,584**

The reassessment/modification of leases relates to changes in rent and extensions to lease terms agreed during the reporting period for leases that were in place on 30 June 2019 following the adoption of IFRS 16.

The Lease liability payments in the table above includes £311k of concessions waived by landlords.

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £'000	2019 £'000
Amounts due within one year	**7,712**	-
Amounts due after more than one year	**63,872**	-
	71,584	-

15 Lease liabilities (continued)

Lease liabilities are as follows:

	2020 £'000	2019 £'000
Not more than one year		
Minimum lease payments	10,546	-
Interest element	(2,834)	-
Present value of minimum lease payments	7,712	-
Between one and five years		
Minimum lease payments	29,675	-
Interest element	(8,388)	-
Present value of minimum lease payments	21,287	-
More than five years		
Minimum lease payments	54,530	-
Interest element	(11,945)	-
Present value of minimum lease payments	42,585	-

16 Provisions

	2020 £'000	2019 £'000
Onerous lease provision	-	10,556
Dilapidations provision	676	304
	676	10,860
Current	-	1,270
Non-current	676	9,590
	676	10,860

	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 29 June 2019	10,556	304	10,860
Movement on provision	(10,556)	372	(10,184)
At 27 June 2020	-	676	676

The Company provides for unavoidable costs associated with lease terminations and expiries against all leasehold properties across the entire estate, built up over the period until exit.

Following the adoption of IFRS 16, which requires the carrying value of the right-of-use asset to be assessed at each balance sheet date, it is no longer necessary to hold onerous lease provisions and accordingly all existing provisions have been incorporated as part of the opening adjustments to accommodate IFRS 16 implementation. Thereafter, any onerous lease obligations are recognised as impairments of the relevant CGU assets.

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17 Other liabilities

	2020	2019
	£'000	£'000
Rent free creditor	-	1,259

18 Deferred tax liability

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

	Brought-forward losses	Accelerated capital allowances	Total
	£'000	£'000	£'000
At 1 July 2018	-	(373)	(373)
Credit/(charge) to income	484	(95)	389
At 29 June 2019	**484**	**(468)**	**16**
(Charge)/credit to income	**(484)**	**468**	**(16)**
At 27 June 2020	**-**	**-**	**-**

	2020	2019
	£'000	£'000
Deferred tax assets	-	484
Deferred tax liabilities	-	(468)
Total deferred tax asset / (liability)	-	16

19 Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
2 (2019: 2) £1 ordinary shares of £1 each	-	-

20 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 smallest and largest 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.

21 Post-balance sheet events

On 13 November 2020, the Company completed a Company Voluntary Arrangement (CVA). As part of the CVA, rent arrears on 13 sites to the value of £1.0m were compromised and are treated as waived. This credit will be included in the FY21 accounts, as the CVA was completed and liability released after FY20 period-end. Included in this, five sites were exited. The CVA also moved seven sites on to a turnover based rental.

22 Effect of adoption of IFRS 16 - Leases

The Company has adopted IFRS 16 Leases retrospectively from 30 June 2019 using the modified retrospective approach and thus comparative information has not been restated and is presented as previously reported under IAS 17.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 30 June 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 30 June 2019 was 3.91%.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments, including unamortised lease incentives such as rent free periods, and onerous lease provisions.

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- In determining whether existing contracts meet the definition of a lease, the Company has not reassessed those contracts previously identified as leases and has not applied the standard to those contracts not previously identified as leases;
- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- Leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16;
- The use of a single discount rate to its portfolio of leases with reasonably similar characteristics.

The table below presents a reconciliation from operating lease commitments disclosed at 29 June 2019 to lease liabilities recognised at 30 June 2019.

	£'000
Operating lease commitments disclosed at 29 June 2019	129,748
Break-clause dates[1]	(1,844)
Increased rent-reviews[2]	1,090
Exclusion of service charges[3]	(7,095)
Effect of discounting[4]	(37,901)
Lease liabilities recognised as at 30 June 2019	**83,998**
Of which are:	
Current lease liabilities	6,009
Non-current lease liabilities	77,989
Lease liabilities recognised as at 30 June 2019	**83,998**

[1] The operating lease commitments were calculated using the lease-end termination date, whereas the IFRS 16 calculations include judgements where an earlier lease break date has been used;

[2] A number of outstanding rent-reviews have been finalised since the end of FY19; these were not included in the operating lease commitments disclosed at 29 June 2019;

[3] The Company policy was previously to include contractual service charges in the operating lease commitments figure; these are excluded from IFRS 16;

[4] Previously, disclosures of lease commitments were undiscounted whilst under IFRS 16 lease commitments are discounted based on the Company's incremental borrowing rate.

22 Effect of adoption of IFRS 16 – Leases (continued)

The change in accounting policy affected the following items in the statement of financial position on 30 June 2019:

- Property, plant and equipment – decrease by £1.2 million
- Right-of-use assets – increase by £65.5 million
- Prepayments – decrease by £2.0 million
- Deferred tax asset – increase by £2.0 million
- Intercompany liability – Increase by £2.8 million
- Lease liabilities – increase by £84.0 million
- Provisions – decrease by £10.6 million
- Accruals – decrease by £0.4 million
- Rent-free creditor – reduce by £1.4 million

The net impact on accumulated losses on 30 June 2019 was a decrease of £10.1 million.